Estimating Consumer Surplus
in eBay Computer Monitor Auctions

by

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Strengths

- Important and understudied topic
  - Precious little is known about the quantifiable consumer welfare levels
  - Ever heard of a *Consumer Surplus Index?*
- Models the "zero bid" case
  - eBay does not disclose % of auctions with no bids
    - Seller's lament
  - Important to understand the drivers of the "critical entry"
- Data is rich, homogenous and extensive
- Estimation procedure applied to a variety of distributions
- Consumer capture at least 26% of total surplus

- Holds promise, need to see more…

Suggestions

- **Entry**
  - Consider Non-Homogenous Poisson
    - Shmueli, Russo, and Jank's BARISTA process
- **Seller ratings**
  - Negative and not significant is troubling
  - Break it up by (sign X role)
    - E.g. positive ratings obtained as buyer , or
    - Neutral ratings obtained as a seller
- **Include following in estimations' RHS**
  - Opening bid
  - Shipping variables – {Disclosed (0/1), Cost}
- **Check sample generalizability**

Unfortunate or Fortunate

It's in the eye of the beholder

Rely on Revealed Preference

- Bapna, Jank, Shmueli (2005) deploy a web based sniping agent to capture the highest willingness to pay
- Observe real bidders, voting with real dollars…
- For winner's
    - surplus = highest bid - price
- Data
    - All categories
    - Three major currencies (USD, GBP, EURO)
    - Tested for generalizability against a random sample of eBay auctions
- Median surplus per auction → $3.61
- Consumer capture at least 18.3% of total surplus